

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, California 95814



April 23, 2008

ALL COUNTY LETTER NO. 08-11

TO: ALL COUNTY WELFARE DIRECTORS
ALL CalWORKs PROGRAM SPECIALISTS
ALL FOOD STAMP COORDINATORS
ALL CONSORTIA PROJECT MANAGERS

SUBJECT: CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS) AND FOOD STAMP PROGRAM: CHANGES IN ASSET EXCLUSION RULES AND NEW EARNED INCOME TAX CREDIT (EITC) OUTREACH ACTIVITIES.

REFERENCE: AB 2466 (CHAPTER 781, STATUTES OF 2006), AB 1078 (CHAPTER 622, STATUTES OF 2007), WELFARE AND INSTITUTIONS (W & I) CODE SECTIONS 11155.2, 11155.6, AND 11322.5; MANUAL OF POLICIES AND PROCEDURES (MPP) SECTION 63-501.3(R); FOOD AND NUTRITION SERVICE, ADMINISTRATIVE NOTICE (AN) 02-26.

The purpose of this letter is to inform County Welfare Departments (CWDs) of the changes enacted by passage of Assembly Bills 2466 and 1078. These changes affect the asset exclusion rules in the CalWORKs and Food Stamp programs and provide for EITC outreach activities in the CalWORKs program. The purpose of exempting more assets and increasing the use of EITC is to help CalWORKs recipients generate savings to encourage self-sufficiency.

Until the implementing regulations are released, CWDs shall follow the rules described below. The implementing regulations will follow as soon as possible.

Restricted Accounts – CalWORKs Program

AB 1078 removes the \$5,000 limit on the amount that recipients may retain in a restricted account. The restricted account provisions are located in the CalWORKs regulations at MPP Section 89-130. Effective January 1, 2008, there is no maximum amount that current CalWORKs recipients may save in a restricted account. CWDs should ensure that no

REASON FOR THIS TRANSMITTAL

- ☒ State Law Change
- ☐ Federal Law or Regulation Change
- ☐ Court Order
- ☐ Clarification Requested by One or More Counties
- ☐ Initiated by CDSS

CalWORKs recipients have been discontinued from January 1, 2008, forward, due to having more than \$5,000 in a restricted account. If discontinuances are discovered, they should be rescinded and eligibility redetermined retroactively, as necessary. None of the other rules or restrictions regarding these accounts have changed.

Restricted Accounts – Food Stamp Program (FSP)

Pursuant to food stamp regulations at MPP Section 63-501.3(r), the FSP follows CalWORKs rules regarding restricted accounts. Therefore, the removal of the \$5,000 limit, as outlined above, also applies to food stamp recipient household restricted accounts.

Retirement Accounts – CalWORKs Program

The provisions of AB 1078 excluded the principal and interest in 401(k), 403(b) and 457 plan accounts from consideration as property for both CalWORKs applicants and recipients. However, current CalWORKs regulations at MPP Section 42-213.2 direct CWDs to follow FSP regulations pertaining to personal property and resources to be excluded from consideration when evaluating property limits, so CWDs should already be exempting these accounts. All County Information Notice (ACIN) I-91-06 (page 9) also provided clarification to counties that the FSP currently exempts 401(k), 403(b) and 457 retirement accounts from resource consideration for both applicants and recipients. This ACL is intended to serve as a reminder to counties that these accounts must also be considered exempt as resources in the CalWORKs program. This treatment is consistent with the exclusions provided for both CalWORKs applicants and recipients in AB 1078.

In addition to the exclusions for both applicants and recipients discussed above, effective **January 1, 2007**, AB 2466 exempted Individual Retirement Accounts (IRAs), 529 college savings plans and Coverdell Educational Savings Accounts (ESAs) from consideration as property for CalWORKs recipients only. Since CalWORKs property regulations currently do not exempt these three accounts for either applicants or recipients, CWDs should immediately begin exempting them for CalWORKs recipients, as required by statute. While it is not highly likely that any CalWORKs recipients were discontinued due to exceeding the CalWORKs personal property limits as a result of funds in one or more of these three specified accounts, CWDs should correct these cases if they are or become aware of any such discontinuances that occurred on or after January 1, 2007.

Retirement Accounts – Food Stamp Program

Currently 457, 401(k) and 403(b) plans are excludable resources for FSP applicants and recipients. The FSP does not have authority to exclude IRAs, 529 college savings plans and Coverdell ESA accounts for non-assistance households pursuant to Food and Nutrition Service's Administrative Notice (AN) 02-26. However, there is no separate food stamp resource test for CalWORKs families who are categorically eligible for food stamps; therefore, accounts excluded for CalWORKs eligibility purposes shall also be excluded for categorically eligible food stamp households.

Chart: Previous Versus Current Asset Exemptions for Applicants (Apps) and Recipients (Recips) of CalWORKs and Food Stamps

Assets	Previous Exemptions				Current Exemptions			
	<u>CalWORKs</u> Apps/Recips		<u>Food Stamps</u> Apps/Recips		<u>CalWORKs</u> Apps/Recips		<u>Food Stamps</u> Apps/Recips	
401(k)	✓	✓	✓	✓	✓	✓	✓	✓
403(b)	✓	✓	✓	✓	✓	✓	✓	✓
457	✓	✓	✓	✓	✓	✓	✓	✓
529						✓ *		
IRA						✓ *		
ESA						✓ *		
Restricted Accounts	No	✓ (\$5,000 Limit)	No	✓ (\$5,000 Limit)	No	✓ (No \$ Limit)**	No	✓ (No \$ Limit)**

*Effective January 1, 2007

**Effective January 1, 2008

EITC Outreach

AB 1078 mandates that CWD staff ask each CalWORKs recipient at their annual redetermination if they are eligible for and take advantage of the EITC. If they may be eligible and do not participate, the new law requires that CWD staff give them the federal EITC form and encourage and assist the recipient to take advantage of it. CWD staff may also inform recipients of the many benefits of EITC participation to encourage them to maximize their receipt of the credit. The EITC brochures - Pubs 428 and 429 - are available on the CDSS forms website at: <http://www.cdss.ca.gov/cdssweb/PG167.htm>.

If you have any questions regarding the CalWORKs instructions in this letter, please contact your CalWORKs County Consultant. For questions regarding FSP resources, please contact Rosie Avena at (916) 654-1514.

Sincerely,

**ORIGINAL DOCUMENT
SIGNED ON 4-23-08 BY:**

CHARR LEE METSKER, Deputy Director
Welfare to Work Division

c: CWDA
CSAC